

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Menominee County	County Menominee
Audit Date 9/30/04	Opinion Date 1/26/05	Date Accountant Report Submitted to State: 4/18/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 901 Ludington St	City Escanaba	State MI	ZIP 49829
Accountant Signature <i>Anderson, Tackman & Company P.A.C.</i>		Date 4/18/05	

COUNTY OF MENOMINEE, MICHIGAN

BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

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**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Menominee
Menominee, Michigan 49858

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Menominee, Michigan as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Menominee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Menominee County Road Commission. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Menominee County Road Commission, is based on the report of other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate fund information of the County of Menominee, Michigan as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board of Commissioners
County of Menominee

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of September 30, 2004.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 12, 49 and 50, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Menominee's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 26, 2005

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Menominee County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2004. Please read it in conjunction with the County's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The County's net assets were reported for the first time under GASB 34. As such, no comparisons with the prior years will be made. In future years comparative information will be presented in various schedules throughout the MD&A. Net assets for the County were reported at \$10,935,712. Net assets for our business-type activities were \$2,169,682 or 20% of total net assets, while net assets in our governmental activities were \$8,766,030 or 80% of total net assets.
- The County's expenses for the year totaled \$8,764,893, while revenues from all sources totaled \$8,306,972, leaving a decrease of \$459,878
- The General Fund reported a decrease in fund balance of \$291,834, representing a decrease in fund balance of 6.9%. This was after revenues of \$5,725,746 compared to \$5,675,915 in 2003, and expenditures of \$5,621,760 compared to expenditures of \$5,227,380 in 2003.

USING THIS REPORT

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13 and 14) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets, the difference between assets and liabilities, as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, state shared revenues and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The P.A. 123 foreclosure activity and the collection of delinquent property taxes primarily make up these activities.

The County also presents one legally separate component units, the County Road Commission. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as a Trustee

The County is the trustee, or *fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets decreased by \$457,921.

Table 1
Net Assets

	Governmental Activities 2004	Business-Type Activities 2004
Current and other assets	\$ 6,798,728	\$ 2,278,154
Capital assets (net)	2,975,329	117,529
Total Assets	<u>9,774,057</u>	<u>2,395,683</u>
Long-term debt outstanding	543,024	-
Other liabilities	465,003	226,001
Total Liabilities	<u>1,008,027</u>	<u>226,001</u>
Net Assets:		
Invested in capital assets, net of related debt	2,975,329	-
Restricted assets:		
Expendable	196,741	-
Unrestricted	5,593,960	2,169,682
Total net assets	<u>\$ 8,766,030</u>	<u>\$ 2,169,682</u>

Net assets of the County's governmental activities stood at \$8,766,030. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$5,593,960.

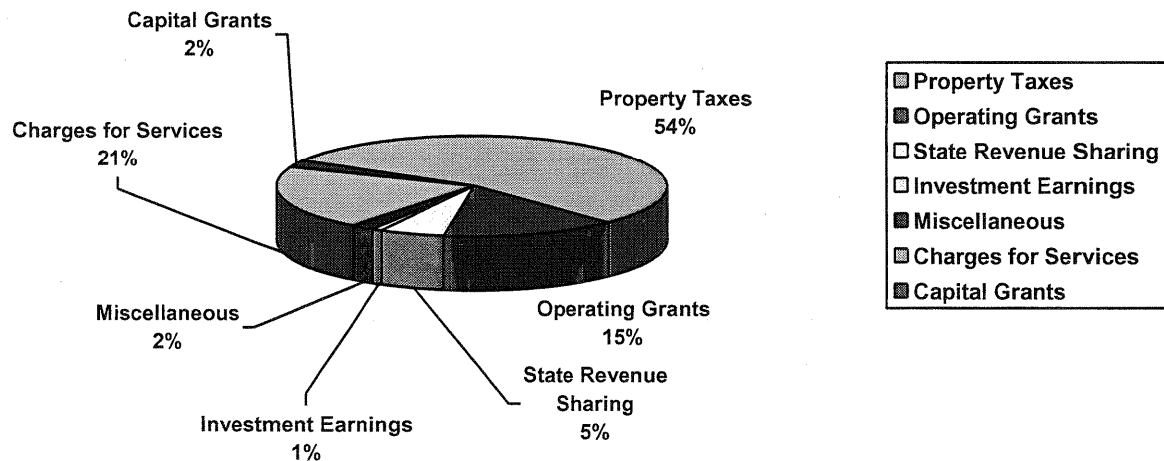
Net assets in our business-type activities stood at \$2,169,682, which were entirely unrestricted as of September 30, 2004.

Table 2
Changes in Net Assets

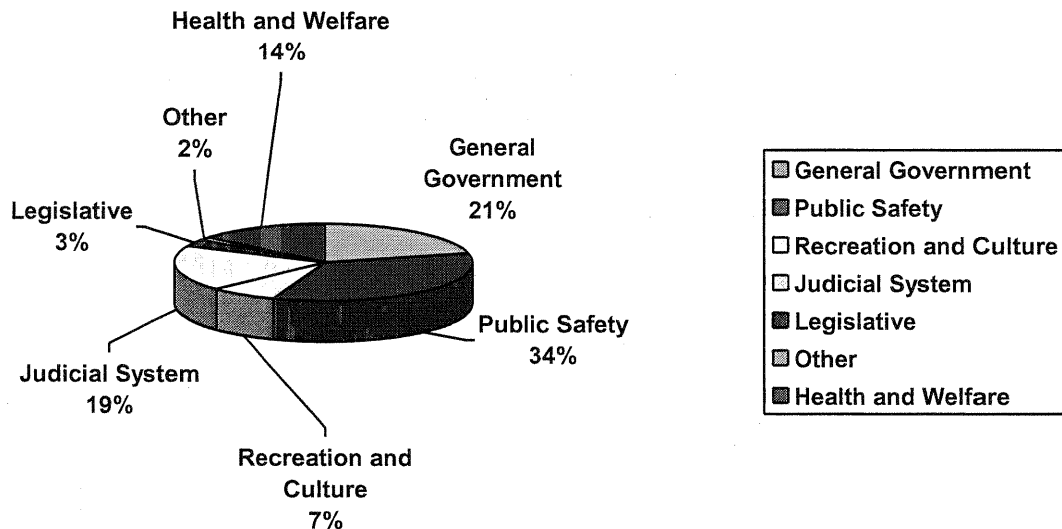
	Governmental Activities 2004	Business-Type Activities 2004
Revenues:		
Program Revenues:		
Charges for services	\$ 1,671,523	\$ 247,923
Operating grants	1,175,511	-
Capital grants	175,141	-
General Revenues:		
Property taxes	4,391,805	-
State revenue sharing	442,821	-
Unrestricted investment earnings	57,350	-
Miscellaneous	144,898	-
Total Revenues	<u>8,059,049</u>	<u>247,923</u>
Program Expenses:		
Legislative	240,962	-
Judicial system	1,680,394	-
General government	1,843,368	-
Public safety	3,017,241	-
Health and welfare	1,206,098	-
Recreation and culture	631,988	-
Other	136,771	-
P.A. 123 foreclosure	-	7,974
Delinquent tax revolving	-	97
Total Expenses	<u>8,756,822</u>	<u>8,071</u>
Excess (deficiency) before transfers and contributions	(697,773)	239,852
Transfers	<u>216,651</u>	<u>(216,651)</u>
Increase (decrease) in net assets	(481,122)	23,201
Net assets - beginning	<u>9,247,152</u>	<u>2,146,481</u>
Net assets - ending	<u><u>\$ 8,766,030</u></u>	<u><u>\$ 2,169,682</u></u>

Governmental Activities

2004 Governmental Activities Revenue



2004 Governmental Program Expenses



Governmental Activities

Revenues for the County's governmental activities totaled \$8,275,700, while expenses were \$8,756,822. The excess of expenses over revenue was \$481,122, while efforts were made to contain cost, an employee co-pay for insurance was not accomplished through negotiations until after the close of the fiscal year, additionally a plan change with a lower premium was accomplished for 2 or the 5 groups so far, as well as for the unrepresented and elected officials. Expenses are monitored on a monthly basis, and reductions if warranted and needed, will occur to bring expenses and revenue in line.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Recreation and Culture, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Public safety	\$ 3,017,241	\$ 2,023,690
General government	1,843,368	1,420,146
Judicial system	1,680,394	574,811
Health and welfare	1,206,098	993,531
Recreation and culture	631,988	346,693
Totals	<u>\$ 8,379,089</u>	<u>\$ 5,358,871</u>

Business-Type Activities

The County's business-type activities net assets totaled \$2,169,682, with an increase in the current year of \$23,201.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

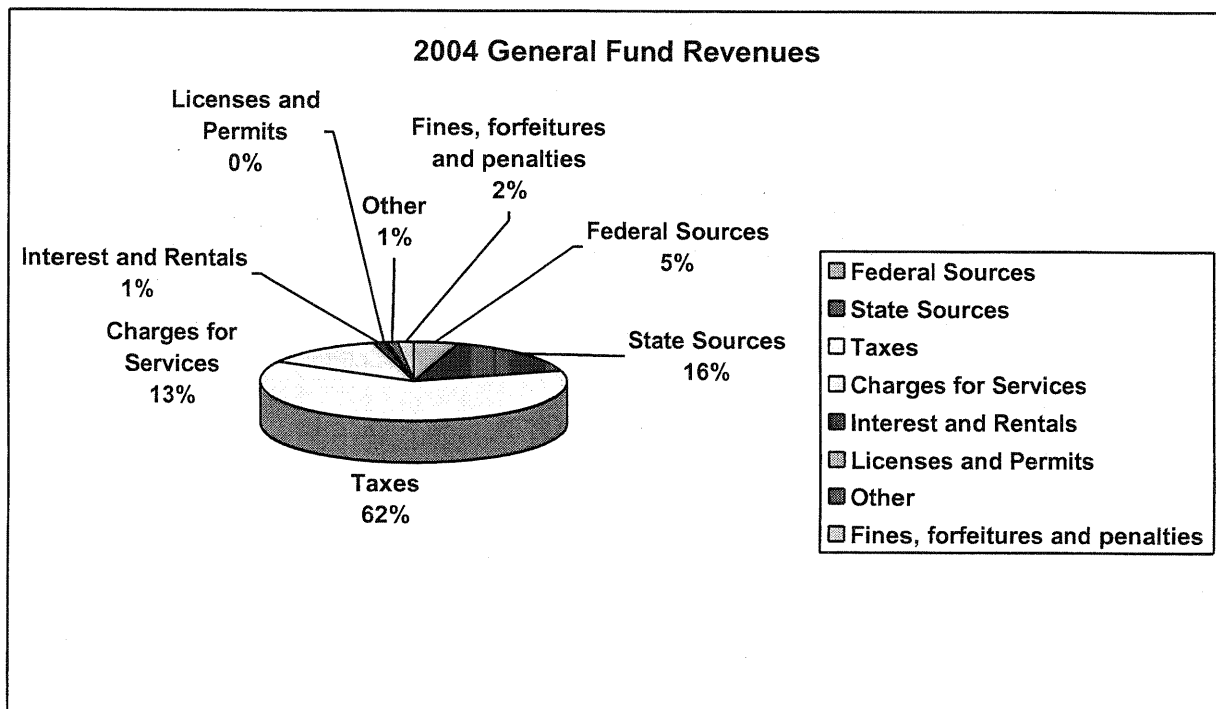
For the current fiscal year the County's governmental funds reported total fund balance of \$4,222,567, of which, \$4,220,445 was unreserved. The General Fund unreserved fund balance amounted to \$3,947,523, with \$2,866,327 designated for future expenditures. The General Fund had a decrease in fund balance of \$291,834, representing a decrease of 6.9% over the prior year

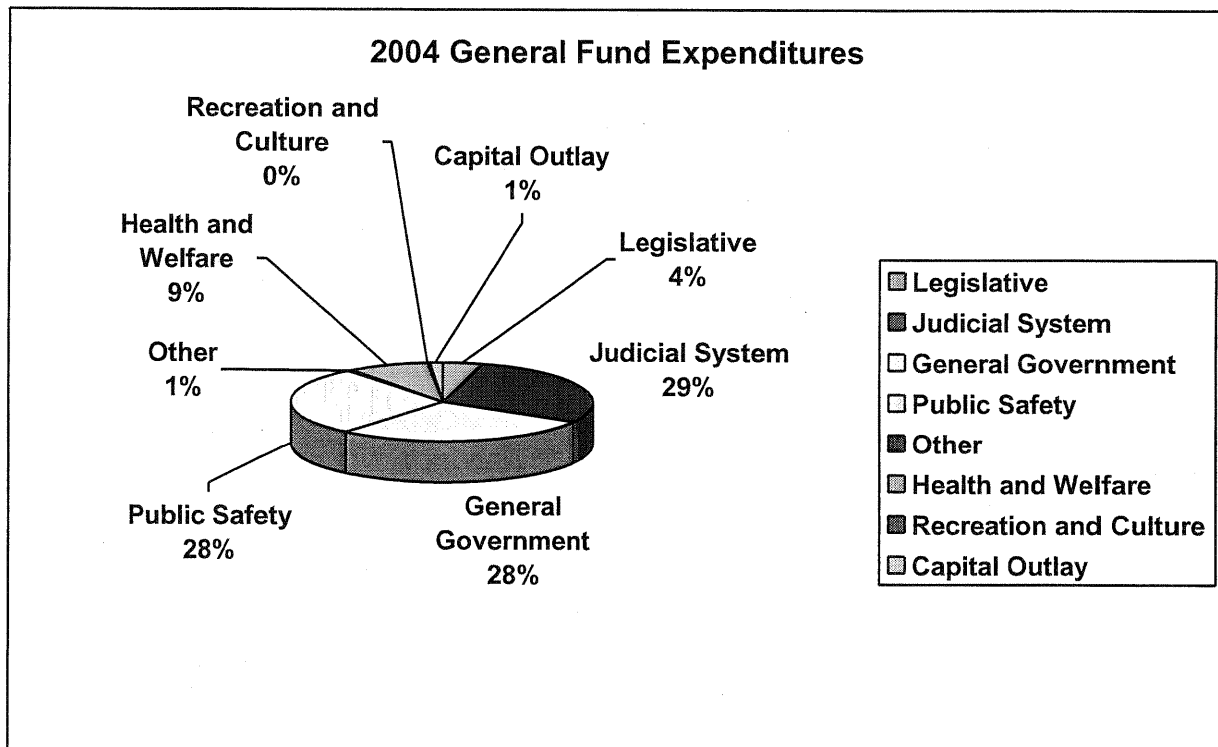
fund balance. The County's Road Patrol fund had an unreserved fund balance deficit of \$14,632. The Road Patrol fund had a decrease in fund balance of \$16,164.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$36,528, representing a decrease of less than 1%. The budgeted expenditures of the final amended budget increased by \$82,354 over the original budget, representing an increase of 1.5%. The original budget projected a deficit of \$156,087, while the actual results showed a decrease to fund balance of \$291,834. This was due in part to the before mentioned budgeted insurance savings/premium share which failed to occur.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the County had \$2,975,329, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities 2004
Land	\$ 193,709
Land Improvements	71,667
Buildings and improvements	1,955,939
Machinery & Equipment	754,014
Total	<u>\$ 2,975,329</u>

DEBT

At year-end the County had a \$50,000 note outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2004
Note payable to Wells Fargo Bank for community development revolving loan program	\$ 50,000

There were no additions to long-term debt this fiscal year. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of the future of State revenue sharing as well as other changes in State government which will effect the way programs and services are provided and funded. The economy in the Menominee County area appears to be flat in relation to job growth, and with the closing of 1 major employer, and the announced future closing of another it is hoped that the ability of remaining employers to grow and absorb the work force will occur. The cost of living in the Menominee County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2005 budget, and progress has been made by going to a less costly plan, with employees starting to share the premiums, while although limited in scope is a start of getting the issue in check.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Menominee County Courthouse, 839 10th Avenue, Menominee, Michigan, 49858.

COUNTY OF MENOMINEE, MICHIGAN
STATEMENT OF NET ASSETS
September 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Road Commission
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 961,166	\$ 1,739,726	\$ 2,700,892	\$ 771,406
Investments	2,824,573	-	2,824,573	332,930
Receivables:				
Accounts	87,486	15,274	102,760	41,010
Notes	-	-	-	-
Delinquent taxes	-	470,117	470,117	-
Interest	5,061	53,037	58,098	1,622
Due from other governmental units	213,382	-	213,382	1,326,198
Internal balances	224,651	-	224,651	-
Prepays	133,864	-	133,864	11,186
Inventory	-	-	-	479,253
Total current assets	<u>4,450,183</u>	<u>2,278,154</u>	<u>6,728,337</u>	<u>2,963,605</u>
Noncurrent assets:				
Delinquent taxes	-	117,529	117,529	-
Equity interest in Twin County Airport	2,348,545	-	2,348,545	-
Capital assets, net of accumulated depreciation	2,975,329	-	2,975,329	5,356,457
Total noncurrent assets	<u>5,323,874</u>	<u>117,529</u>	<u>5,441,403</u>	<u>5,356,457</u>
Total assets	<u>\$ 9,774,057</u>	<u>\$ 2,395,683</u>	<u>\$ 12,169,740</u>	<u>\$ 8,320,062</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 144,934	\$ 9,350	\$ 154,284	\$ 326,608
Accrued payroll	57,186	-	57,186	-
Internal balances	-	216,651	216,651	-
Accrued interest	-	-	-	-
Due to other governmental units	98,542	-	98,542	-
Deferred revenue	-	-	-	12,832
Long-term liabilities due within one year:				
Compensated absences	164,341	-	164,341	-
Notes payable	-	-	-	-
Bonds payable	-	-	-	-
Total current liabilities	<u>465,003</u>	<u>226,001</u>	<u>691,004</u>	<u>339,440</u>
Long-term liabilities:				
Advances	-	-	-	215,028
Compensated absences	493,024	-	493,024	284,073
Notes payable	-	-	-	-
Bonds payable	50,000	-	50,000	-
Total long-term liabilities	<u>543,024</u>	<u>-</u>	<u>543,024</u>	<u>499,101</u>
Total liabilities	<u>1,008,027</u>	<u>226,001</u>	<u>1,234,028</u>	<u>838,541</u>
NET ASSETS				
Invested in capital assets, net of related debts	2,975,329	-	2,975,329	5,356,457
Restricted for:				
Expendable:				
Special revenue	196,741	-	196,741	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
County Roads	-	-	-	2,125,064
Unrestricted	5,593,960	2,169,682	7,763,642	-
Total net assets	<u>8,766,030</u>	<u>2,169,682</u>	<u>10,935,712</u>	<u>7,481,521</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,774,057</u>	<u>\$ 2,395,683</u>	<u>\$ 12,169,740</u>	<u>\$ 8,320,062</u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Functions/Programs	Program Revenue					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Legislative	\$ 240,962	\$ -	\$ -	\$ -	\$ (240,962)	\$ -	\$ (240,962)	\$ -
Judicial system	1,680,394	482,363	623,220	-	(574,811)	-	(574,811)	-
General government	1,843,368	344,663	59,004	21,512	(1,418,189)	-	(1,418,189)	-
Public safety	3,017,241	542,909	297,013	153,629	(2,023,690)	-	(2,023,690)	-
Health and welfare	1,206,098	31,907	180,660	-	(993,531)	-	(993,531)	-
Recreation and culture	631,988	269,681	15,614	-	(346,693)	-	(346,693)	-
Other	136,771	-	-	-	(136,771)	-	(136,771)	-
Total governmental activities	8,756,822	1,671,523	1,175,511	175,141	(5,734,647)	-	(5,734,647)	-
Business-type activities:								
P.A. 123 foreclosure	7,974	62,006	-	-	-	54,032	54,032	-
DTRF	97	185,917	-	-	-	185,820	185,820	-
Total business-type activities	8,071	247,923	-	-	-	239,852	239,852	-
Total primary government	8,764,893	1,919,446	1,175,511	175,141	(5,734,647)	239,852	(5,494,795)	-
Component units:								
Road Commission	\$ 3,980,186	\$ 912,325	\$ 3,792,901	\$ 2,175,759	-	-	-	2,900,799
General revenues:								
Property taxes					4,391,805	-	4,391,805	-
State revenue sharing					442,821	-	442,821	-
Grants and contributions not restricted to specific programs					65,706	-	65,706	-
Unrestricted investment earnings					57,350	-	57,350	-
Miscellaneous					79,192	-	79,192	(230)
Transfers					216,651	(216,651)	-	-
Total general revenues and transfers					5,253,525	(216,651)	5,036,874	(230)
Change in net assets					(481,122)	23,201	(457,921)	2,900,569
Net assets, beginning					9,247,152	2,146,481	11,393,633	4,580,952
Net assets, ending					\$ 8,766,030	\$ 2,169,682	\$ 10,935,712	\$ 7,481,521

See accompanying notes to financial statements

COUNTY OF MENOMINEE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	General Fund	Road Patrol	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 744,305	\$ (47,543)	\$ 264,404	\$ 961,166
Investments	2,824,573	-	-	2,824,573
Receivables:				
Accounts	37,007	10,288	40,191	87,486
Interest	5,061	-	-	5,061
Due from other funds	225,165	-	32,226	257,391
Due from State of Michigan	129,075	28,481	30,330	187,886
Prepaid expense	103,587	10,416	19,861	133,864
Total assets	<u>\$ 4,068,773</u>	<u>\$ 1,642</u>	<u>\$ 387,012</u>	<u>\$ 4,457,427</u>
LIABILITIES				
Accounts payable	\$ 79,907	\$ 8,433	\$ 56,594	\$ 144,934
Accrued payroll	38,049	7,841	11,296	57,186
Due to other funds	3,294	-	29,446	32,740
Total liabilities	<u>121,250</u>	<u>16,274</u>	<u>97,336</u>	<u>234,860</u>
FUND BALANCES				
Unreserved:				
Designated	2,866,327	-	-	2,866,327
Undesignated	1,081,196	(14,632)	-	1,066,564
Unreserved, reported as non-major:				
Special revenue funds	-	-	287,554	287,554
Reserved, permanent fund	-	-	2,122	2,122
Total fund balances	<u>3,947,523</u>	<u>(14,632)</u>	<u>289,676</u>	<u>4,222,567</u>
Total liabilities and fund balances	<u>\$ 4,068,773</u>	<u>\$ 1,642</u>	<u>\$ 387,012</u>	<u>\$ 4,457,427</u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2004

Total fund balances for governmental funds	\$	4,222,567
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	284,212	
Buildings and improvements	4,142,553	
Machinery and equipment	1,483,388	
Accumulated depreciation	(2,934,824)	
Total capital assets		2,975,329

The County maintains a 50% equity interest in the net assets of the Twin County Airport Commission. 50% of the net assets of the Twin County Airport Commission amounted to:		2,348,545
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Notes payable	(50,000)	
Compensated absences	(657,365)	
		(707,365)

The State of Michigan advanced the County its October revenue sharing payment which was accrued back to September 30th as revenue in the General Fund. This amount is payable back to the State of Michigan from the "Revenue Sharing Reserve Fund", a special revenue fund, which was not established as of September 30, 2004, therefore a liability has been recognized in the statement of net assets of:		(98,542)
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In the governmental fund statements, the County use sixty days to accrue revenue under modified accrual. Revenue which did not meet the sixty day definition of available which was recorded in the government-wide financial statements amounted to:		25,496

Total net assets of governmental activities	\$	8,766,030
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See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

	General Fund	Road Patrol	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 3,574,130	\$ 539,167	\$ 278,508	\$ 4,391,805
Licenses and permits	7,028	-	-	7,028
Federal sources	273,246	79,699	155,199	508,144
State sources	905,557	93,998	277,326	1,276,881
Local sources	-	48,815	28,159	76,974
Charges for services	741,468	-	655,807	1,397,275
Fines, forfeitures and penalties	98,719	-	114,090	212,809
Interest and rentals	57,350	-	567	57,917
Other	68,248	10,944	25,528	104,720
Total revenues	5,725,746	772,623	1,535,184	8,033,553
EXPENDITURES:				
Legislative	240,962	-	-	240,962
Judicial system	1,628,770	-	16,099	1,644,869
General government	1,564,467	-	184,109	1,748,576
Public safety	1,572,538	832,008	472,054	2,876,600
Health and welfare	480,245	-	724,506	1,204,751
Recreation and cultural	13,312	-	580,133	593,445
Capital outlay	83,237	51,654	125,660	260,551
Other	38,229	-	-	38,229
Total expenditures	5,621,760	883,662	2,102,561	8,607,983
Excess revenues (expenditures)	103,986	(111,039)	(567,377)	(574,430)
OTHER FINANCING SOURCES (USES):				
Transfer in	237,651	115,875	517,596	871,122
Transfer out	(633,471)	(21,000)	-	(654,471)
Total other financing sources (uses)	(395,820)	94,875	517,596	216,651
Net change in fund balance	(291,834)	(16,164)	(49,781)	(357,779)
Fund balances - beginning of year	4,239,357	1,532	339,457	4,580,346
Fund balances - end of year	\$ 3,947,523	\$ (14,632)	\$ 289,676	\$ 4,222,567

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Net changes in fund balances - total governmental funds \$ (357,779)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$256,983) exceeded capital outlays (\$216,340). (40,643)

The State of Michigan advanced the County its October revenue sharing payment which was accrued back to September 30th as revenue in the General Fund. This amount is payable back to the State of Michigan from the "Revenue Sharing Reserve Fund", a special revenue fund, which was not established as of September 30, 2004, therefore the amount received was recorded as an expense in the statement of activities. (98,542)

Under modified accrual, the County considers revenues that are available to finance current liabilities as those that are collected within sixty days. Revenues which were recorded in the government-wide financial statements and not in the governmental fund financial statements amounted to: 25,496

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Compensated absences (9,654)

Changes in net assets of governmental activities \$ (481,122)

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2004

	P.A. 123 Foreclosure	DTRF	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents			
Unrestricted	\$ 76,014	\$ 1,663,712	\$ 1,739,726
Receivables:			
Accounts	-	15,274	15,274
Current taxes	-	470,117	470,117
Interest	-	53,037	53,037
Due from other funds	-	21,839	21,839
Total current assets	<u>76,014</u>	<u>2,223,979</u>	<u>2,299,993</u>
Noncurrent assets:			
Delinquent taxes	<u>-</u>	<u>117,529</u>	<u>117,529</u>
Total assets	<u>\$ 76,014</u>	<u>\$ 2,341,508</u>	<u>\$ 2,417,522</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 143	\$ 9,207	\$ 9,350
Due to other funds	<u>41,265</u>	<u>197,225</u>	<u>238,490</u>
Total liabilities	<u>41,408</u>	<u>206,432</u>	<u>247,840</u>
NET ASSETS			
Unrestricted	<u>34,606</u>	<u>2,135,076</u>	<u>2,169,682</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 76,014</u>	<u>\$ 2,341,508</u>	<u>\$ 2,417,522</u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	P.A. 123 Foreclosure	DTRF	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 62,006	\$ 61,525	\$ 123,531
Rental and interest income	-	124,387	124,387
Miscellaneous	-	5	5
	<u>62,006</u>	<u>185,917</u>	<u>247,923</u>
Total operating revenue			
OPERATING EXPENSES:			
Supplies	4,138	97	4,235
Contracted services	858	-	858
Travel	189	-	189
Printing and publishing	1,527	-	1,527
Miscellaneous	1,262	-	1,262
	<u>7,974</u>	<u>97</u>	<u>8,071</u>
Total operating expenses			
Operating income (loss)	<u>54,032</u>	<u>185,820</u>	<u>239,852</u>
Transfer out	<u>(19,426)</u>	<u>(197,225)</u>	<u>(216,651)</u>
Change in net assets	34,606	(11,405)	23,201
Total net assets - beginning	<u>-</u>	<u>2,146,481</u>	<u>2,146,481</u>
Total net assets - ending	<u>\$ 34,606</u>	<u>\$ 2,135,076</u>	<u>\$ 2,169,682</u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	P.A. 123 Foreclosure	DTRF	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 62,006	\$ 84,624	\$ 146,630
Receipts from interest and rents	-	129,092	129,092
Cash received for collection of taxes	-	1,463,957	1,463,957
Payments to suppliers	(7,831)	(719)	(8,550)
Cash payments for taxes	-	(1,403,871)	(1,403,871)
Other receipts (payments)	41,265	170,530	211,795
	<u>95,440</u>	<u>443,613</u>	<u>539,053</u>
Net cash provided (used) by operating activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfer out	<u>(19,426)</u>	<u>(197,225)</u>	<u>(216,651)</u>
Net increase (decrease) in cash and equivalents	76,014	246,388	322,402
Cash and equivalents, beginning of year	<u>-</u>	<u>1,417,324</u>	<u>1,417,324</u>
Cash and equivalents, end of year	<u><u>\$ 76,014</u></u>	<u><u>\$ 1,663,712</u></u>	<u><u>\$ 1,739,726</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 54,032</u>	<u>\$ 185,820</u>	<u>\$ 239,852</u>
Changes in assets and liabilities:			
(Increase) decrease in receivables	-	88,466	88,466
(Increase) decrease in due from other funds	-	(21,839)	(21,839)
Increase (decrease) in accounts payable	143	8,585	8,728
Increase (decrease) in due to other funds	41,265	182,581	223,846
Total adjustments	<u>41,408</u>	<u>257,793</u>	<u>299,201</u>
Net cash provided by operating activities	<u><u>\$ 95,440</u></u>	<u><u>\$ 443,613</u></u>	<u><u>\$ 539,053</u></u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 1,514,168
Due from other governmental units	<u>61,767</u>
Total assets	<u><u>\$ 1,575,935</u></u>
LIABILITIES	
Due to other funds	\$ 8,000
Due to other units governmental units	1,230,354
Other liabilities	<u>337,581</u>
Total liabilities	<u><u>\$ 1,575,935</u></u>

See accompanying notes to financial statements.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Menominee was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Menominee.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Menominee County (the primary government) includes all funds, account groups, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has two component units for which the financial data has been blended with the primary government financial statements.

Menominee County Library - The Menominee County Library is governed by a five-member board appointed by the County Board. Although it is legally separate from the County, the Library is reported as if it were part of the primary government because its primary purpose is to serve the population of Menominee County.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Menominee County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Menominee County Road Commission - The Menominee County Road Commission, which is established pursuant to the County Road law (MCL 224.1), is governed by an elected three member Board of Commissioners. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. Complete financial statements of the Road Commission may be obtained at the following address:

Menominee County Road Commission
P.O. Box 527
Stephenson, Michigan 49887

Joint Ventures – Menominee County is a participant in the following joint ventures:

Twin County Airport – Menominee County participates with Marinette County, Wisconsin, in a joint venture to operate the Twin County Airport located in the City of Menominee, Michigan. The Twin County Airport Commission (TCAC) was created for that purpose. The TCAC is governed by a six member board composed of three appointees from each county. Members from each county are appointed by the chairperson of that county, subject to the approval of the respective county board. Both counties are obligated by agreement to share equally in providing the local funds necessary for the operation and improvement of the airport. Each county maintains a fifty percent equity interest in the net assets of the Airport. During 2004, Menominee County remitted an operating appropriation of \$72,500 to the TCAC. Complete financial statements for the TCAC can be obtained from the TCAC office at 2801 North 22nd Street, Menominee, Michigan, 49858.

Pinecrest Medical Care Facility - Menominee County is a participant with Dickinson and Delta Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta-Menominee District Health – Menominee County is a participant with Delta County in a joint venture to operate the Delta-Menominee District Health Department. The Delta-Menominee District Health Department Board was created for that purpose. The Delta-Menominee Health Department is governed by a six member board composed of three members appointed from each county. The Counties are obligated by agreement to a funding formula that requires Menominee County to provide 40% and Delta County 60% of the net budget appropriation requirements. During 2004, Menominee County remitted an operating appropriation of \$218,399 to the Health Department. Complete financial statements for the Delta-Menominee District Health Department can be obtained from the Department's office at 2920 College Avenue, Escanaba, Michigan, 49829.

Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Menominee, Dickinson, and Iron Counties entered into an inter-local agreement on October 16, 1994 for the purpose of establishing an Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Corporation Act, 1967 PA 7, is governed by a twelve member board. The board is made up of five members each from Menominee and Dickinson Counties and two members from Iron County. The County does not have an ongoing financial interest or an ongoing financial responsibility in Pathways but did make an appropriation in the amount of \$99,608.

Complete financial statements for Pathways can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies - The accounting policies of the County of Menominee conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements - The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, state revenue sharing and other items not specific to particular functions or segments are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, state revenue sharing, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Road Patrol – The Road Patrol fund accounts for the activities related to the operation of a twenty-four hour road patrol in the county, which is maintained by a separate tax levy.

The County reports the following as major proprietary funds:

P.A. 123 Foreclosure – This fund deals with activity relating to the foreclosure process on parcels of property that have delinquent taxes owed on them.

Delinquent Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the County reports the following fund types:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the P.A. 123 Foreclosure enterprise fund are fees charged to delinquent property owners as part of the foreclosure process and the sale of parcels of property at the land auction and the principal operating revenues of the Delinquent Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. During mid-year, County management submits to the County Board a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by County Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year will lapse unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the General Fund and special revenue funds.
- d. Expenditures may not exceed appropriations provided in detail budget accounts maintained for each activity of department of the County. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the County Board.
- e. Encumbrance accounting is not used by the County to record commitments related to unperformed contracts for goods or services.
- f. The general Michigan statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

Capital Assets – Capital assets, which include property, buildings and equipment assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE B - BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations - Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended September 30, 2004 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	Total Appropriation	Expenditures	Budget Variance
General Fund	\$ 6,223,669	\$ 6,255,231	\$ (31,562)
Road Patrol	902,761	904,662	(1,901)
County Parks	218,448	230,909	(12,461)
Park Improvement	3,900	15,035	(11,135)
Remonumentation	72,000	78,149	(6,149)
Building Department	89,800	91,355	(1,555)
911 Program	441,420	461,573	(20,153)
Law Library	10,000	16,099	(6,099)
CDBG Wells Fargo	-	897	(897)
Homeland Security Grant	-	83,158	(83,158)
Senior Citizens	266,577	274,683	(8,106)
Child Care	142,750	190,582	(47,832)

Deficit Fund Balances - Deficits existed in the unreserved fund balances of the following funds as of September 30, 2004:

County Road Patrol	\$ 14,632
County Parks	4,156
Remonumentation	4,215
Building Department	21,848
Law Library	9,822
Homeland Security Grant	3,840
Child Care	49,393
State-Special Child Care	30,041

Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789,15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of \$3,860. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for deposits are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 867,235	\$ 854,191
Uninsured	3,347,825	3,489,406
Total cash	<u>\$ 4,215,060</u>	<u>\$ 4,343,597</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 2,700,892	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	<u>1,514,168</u>	
Total cash and equivalents	<u>\$ 4,215,060</u>	
Investments:		
Non-risk categorized investments:		
External investment pool	<u>\$ 2,824,573</u>	

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

Category 1: Insured or registered, or securities held by the County or its agents in Menominee County's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's or by its trust department or agent in Menominee County's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty's or by its trust department or agent but not in Menominee County's name.

The County has investments with MBIA Financial Services. The nature of mutual funds, insurance annuities, bond funds and equity pools does not allow for risk categorization, which is in accordance with GASB Statement No. 3. The non-risk categorized investments are carried at cost, which is also the market value.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Delinquent Tax Revolving	\$ 197,225
		SET Collection	514
		P.A. 123 Foreclosure	19,426
		County Section 125 Plan	5,000
		Friend of Court Trust	1,000
		Sheriff Inmate Trust	<u>2,000</u>
General Fund	<u>\$ 225,165</u>	Subtotal	<u>225,165</u>
State-Special Child Care	<u>3,294</u>	General Fund	<u>3,294</u>
Delinquent Tax Revolving	<u>21,839</u>	P.A. 123 Foreclosure	<u>21,839</u>
ROD Automation	<u>6,158</u>	Remonumentation	<u>6,158</u>
Local Emergency Planning	<u>22,774</u>	Homeland Security Grant	<u>22,774</u>
Total	<u><u>\$ 279,230</u></u>	Total	<u><u>\$ 279,230</u></u>

Financial Statement Presentation:

Governmental Funds	\$ 257,391	Governmental Funds	\$ 32,740
Proprietary Funds	21,839	Proprietary Funds	238,490
Fiduciary Funds	<u>-</u>	Fiduciary Funds	<u>8,000</u>
Total	<u><u>\$ 279,230</u></u>		<u><u>\$ 279,230</u></u>

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

	Balance at 10/01/03	Additions	Disposals	Balance at 09/30/04
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 193,709	\$ -	\$ -	\$ 193,709
Capital assets being depreciated:				
Land improvements	90,503	-	-	90,503
Buildings and improvements	4,069,560	72,993	-	4,142,553
Machinery and equipment	1,403,025	80,362	-	1,483,387
Total capital assets	<u>5,756,797</u>	<u>153,355</u>	<u>-</u>	<u>5,910,152</u>
Less accumulated depreciation:				
Land improvements	17,198	1,638	-	18,836
Buildings and improvements	2,058,374	112,470	-	2,170,844
Machinery and equipment	602,268	142,875	-	745,143
Total accumulated depreciation	<u>2,677,840</u>	<u>256,983</u>	<u>-</u>	<u>2,934,823</u>
Governmental activities capital assets, net	<u>\$ 3,078,957</u>	<u>\$ (103,628)</u>	<u>\$ -</u>	<u>\$ 2,975,329</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 33,594
General government	48,650
Public safety	136,779
Health and welfare	382
Recreation and culture	<u>37,578</u>
Total governmental activities depreciation expense	<u>\$ 256,983</u>

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/03	Additions	Disposals	Balance at 09/30/04
Capital assets not being depreciated:				
Land and improvements	\$ 18,100	\$ -	\$ -	\$ 18,100
Capital assets being depreciated:				
Buildings and improvements	1,084,380	20,090	19,837	1,084,633
Machinery and equipment	7,218,501	56,675	-	7,275,176
Infrastructure - bridges	-	810,942	-	810,942
Infrastructure - roads	-	2,663,419	-	2,663,419
Total capital assets	<u>8,320,981</u>	<u>3,551,126</u>	<u>19,837</u>	<u>11,852,270</u>
Less accumulated depreciation:				
Buildings and improvements	434,382	25,821	-	460,203
Machinery and equipment	5,459,876	594,012	18,278	6,035,610
Infrastructure - roads	-	-	-	-
Infrastructure - bridges	-	-	-	-
Total accumulated depreciation	<u>5,894,258</u>	<u>619,833</u>	<u>18,278</u>	<u>6,495,813</u>
Capital assets, net	<u>\$ 2,426,723</u>	<u>\$ 2,931,293</u>	<u>\$ 1,559</u>	<u>\$ 5,356,457</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

NOTE G - LONG - TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2003:

Type of Debt	Balance 10/1/2003	Additions	Deductions	Balance 9/30/2004	Due Within One Year
Governmental activities:					
Note payable - Wells Fargo community development	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
Compensated absences	407,109	-	10,156	396,953	99,238
Alternative retirement	240,602	19,810	-	260,412	65,103
Total	<u>\$ 697,711</u>	<u>\$ 19,810</u>	<u>\$ 10,156</u>	<u>\$ 707,365</u>	<u>\$ 164,341</u>

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G – LONG – TERM DEBT (continued)

During 2003, Wells Fargo loaned the County \$50,000 for the purpose to organize, operate and manage the affairs, property, business and activities of an affordable housing purchase and rehabilitation revolving loan fund throughout the city and county of Menominee. Interest will be calculated at an initial fixed rate of 2% for the first ten years and 3.5% below the then ten year U.S. Treasury note rate for years thereafter. Interest is calculated monthly and payable quarterly. The principal balance of the note is not due until January 2013, however, Wells Fargo is obligated to extend the note for one year if the County satisfactorily performs all of its obligations. Annually thereafter, Wells Fargo has the option of extending the notes maturity date. Repayment of the note principal shall come from loan payment proceeds or the proceeds of the sale of a grantee's home. The County is under no obligation to repay loan funds from tax generated monies. The following is a summary of the required debt service payments.

For the Year Ending September 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2005	\$ -	\$ 1,000
2006	-	1,000
2007	-	1,000
2008	-	1,000
2009	-	1,000
2010-2013	50,000	4,000
Total	\$ 50,000	\$ 9,000

Accrued Vacation and Sick Liability – Employees earn annual vacation and sick leave days per year based on the number of years of service up to a maximum. Annual vacation and sick leave days are based on the various labor union contract terms and administrative policies of the different County operating units. An accrued liability for vacation and sick time in the amount of \$396,953 has been recorded in the statement of net asset under governmental activities.

Alternative Retirement – The County offers an alternative retirement payout to any employee who terminates his/her employment with the County, who has not met the requirements to vest in the Municipal Employees Retirement System (MERS) retirement plan.

Under the payout plan, the County will pay employees 100% of employee contributions to MERS and 4% of their current annual gross wages times the number of years worked under this plan.

At September 30, 2004, an accrued liability in the amount of \$260,412 was recorded under governmental activities in the statement of net assets.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H - ROAD COMMISSION LONG-TERM DEBT

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2003	Additions	Deductions	Balance 9/30/2004
Installment Purchase Agreement				
Copier	\$ 1,627	\$ -	\$ 1,627	\$ -
Compensated Absences	283,741	332	-	284,073
Total long-term debt	<u>\$ 285,368</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 284,073</u>

Vacation Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee. Road Commission policy provides that the vacation benefits earned in the current calendar year are to be paid to the employee in the subsequent calendar year.

Sick Leave Benefits

Effective January 1, 2005, each regular full-time employee receives 56 hours of sick leave. There is no limitation on the accumulation of unused sick leave time. Upon retirement or voluntary termination with 20 years of service and proper notice, employees who were hired before September 1, 1982 shall be paid 100% of their accumulated unused sick leave, up to a maximum of 480 hours. Employees hired after September 1, 1982, shall be paid 50% of their accumulated sick leave, up to a maximum of 120 hours.

Prior to January 1, sick leave is accumulated at the rate of 8 hours for each month of employment in which the employee works at least 12 days and is qualified as a regular employee. All employees who were on the payroll as of September 1, 1982 may accumulate sick leave to a maximum of 520 hours. Employees hired after September 1, 1982 may accumulate sick leave to a maximum of 240 hours.

Accumulated sick leave benefits are paid in accordance with the following provisions.

1. Death – If an employee should die, his or her accumulated sick leave shall be paid to the surviving spouse or to his or her estate if unmarried.
2. Retirement – Upon retirement, employees on the payroll as of September 1, 1982 shall be paid for 100% of their accumulated unused sick leave up to a maximum of 480 hours at the prevailing rate of pay. Employees hired after September 1, 1982 shall be paid for 50% of their accumulated unused sick leave up to a maximum of 120 hours at the prevailing rate of pay.
3. Voluntary Termination – Upon voluntary termination, with 20 years service and proper 2 weeks notice, employees shall be paid for their accumulated unused sick leave under the same provisions as at retirement.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE J - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 237,651	\$ 633,471
Road Patrol	115,875	21,000
County Parks	95,408	-
Park Improvement	10,000	-
Building Department	10,926	-
Law Library	4,000	-
County Library	240,798	-
Child Care	95,000	-
State-Special Child Care	61,464	-
Enterprise Funds:		
P.A. 123 Foreclosure	-	19,426
Delinquent Tax Revolving	-	197,225
Total	\$ 871,122	\$ 871,122

NOTE K - RETIREMENT PLANS

General County

Plan Description - The General County and the County Road Commission (discretely presented component unit) participate in a defined benefit non-contributory retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K – RETIREMENT PLANS (continued)

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - The General County offers its various departments benefit B-3 with the exception of the County Library employees who have benefit C-1 Old. Under benefit B-3 employees shall receive 2.25% of their three-year final average compensation, with a maximum benefit of 80% of their three year final average compensation. Under benefit C-1 Old, an employee shall receive a benefit of 1.2% times the first \$4,200 of their three year final average compensation plus 1.7% times the portion of their three year final average compensation over \$4,200. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K – RETIREMENT PLANS (continued)

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,252,957
Terminated employees not yet receiving benefits	558,464
Non-vested terminated employees	14,666
Current Employees:	
Accumulated employee contributions including allocated investment income	380,458
Employer financed	<u>5,749,581</u>
Total actuarial accrued liability	10,956,126
Net assets available for benefits, at actuarial value (market value is \$7,668,166)	<u>8,397,878</u>
Unfunded (overfunded) actuarial accrued liability	\$ 2,558,248

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	October 1, 2005
Annual required contribution (ARC)	\$ 463,464
Amortization factor used	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 342,352	100%	\$ -
2002	355,736	100%	-
2003	399,878	100%	-

The General County was required to contribute \$423,305 and employee contributions were \$43,880 for the year ended September 30, 2004. Payments were based on contribution calculations made by MERS.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS (continued)

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 7,392,311	\$ 8,985,353	\$ 1,593,042	82%	\$ 2,921,331	55%
2002	7,716,588	10,062,447	2,345,859	77%	3,007,512	78%
2003	8,397,878	10,956,126	2,558,248	77%	3,158,331	81%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

County Road Commission (component unit)

The Menominee County Road Commission has two pension plans: the American Express Financial Simplified Employee Pension Plan for its full-time employees, and the Michigan Employees' Retirement System for its full-time nonunion employees.

Union Employees' Plan – Profit Sharing Plan

All union employees were covered under a defined contribution pension plan with the American Express Financial Simplified Employee Pension Plan (effective January 1, 2000). The plan administrator is the Road Commission, who has established a trust fund administered by American Express Financial Advisors, Inc. During the fiscal year ended September 30, 2003, the Menominee County Road Commission's required and actual contributions amounted to \$114,648. Pension fund contributions are based on a fixed weekly rate for each employee covered by the collective bargaining agreement. The Road Commission's weekly contribution for each union employee was \$60. There were 44 union employees covered under this plan during 2003. The most recent period for which the value of the plan assets were available was for the fiscal year ended September 30, 2003.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS (continued)

Nonunion Employees Plan – Description of Plan and Plan Assets

The Menominee County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% time the final average compensation (FAC) for all general employees and 2.5% of the FAC for the manager and supervisors. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 15.22% for general employees and 19.31% for the manager for the calendar year ending December 31, 2003.

Annual Pension Cost – During the calendar year ended December 31, 2003, the Road Commission's contributions totaling \$107,998 were made in accordance with the contribution requirements determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit.

Significant actuarial assumptions used include a long-term investment yield rate of 8%, annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases and the assumption that benefits will increase 2.5% per year (annually) after retirement.

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS (continued)

Three Year Trend Information for GASB Statement No. 27

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 65,137	100%	\$ -
2002	94,937	100%	-
2003	107,998	100%	-

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 1,654,629	\$ 2,224,330	\$ 569,701	74%	\$ 483,132	118%
2002	1,708,537	2,611,542	903,005	65%	551,559	164%
2003	1,855,858	2,773,670	917,812	67%	557,716	165%

NOTE M - FUND EQUITY DESIGNATIONS

A. Fund equity has been designated in the General Fund as follows:

Building projects	\$ 2,530,000
Prisoner board	221,256
District court - computer	26,622
Economic development	60,000
Marriage counseling	8,449
Park improvement	10,000
Library	10,000
Total	<u>\$ 2,866,327</u>

COUNTY OF MENOMINEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE N - CONTINGENT LIABILITIES

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

NOTE O - RISK MANAGEMENT

The County of Menominee participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insurance retention limits along with certain other member specific costs.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance. At September 30, 2004, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF MENOMINEE, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget-
			(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 3,546,895	\$ 3,546,895	\$ 3,574,130	\$ 27,235
License and permits	6,600	6,600	7,028	428
Federal sources	320,553	320,553	273,246	(47,307)
State sources	974,222	974,222	905,557	(68,665)
Charges for services	698,983	640,116	741,468	101,352
Fines, forfeitures and penalties	98,300	98,300	98,719	419
Interest and rentals	61,250	61,250	57,350	(3,900)
Other	81,200	103,539	68,248	(35,291)
Total revenues	5,788,003	5,751,475	5,725,746	(25,729)
EXPENDITURES:				
Legislative	227,986	208,486	240,962	(32,476)
Judicial system:				
Circuit court	187,540	187,540	178,638	8,902
Family court	267,583	267,583	261,172	6,411
District court	441,725	441,725	433,778	7,947
Friend of court	293,237	293,237	292,209	1,028
Jury commissioner	4,812	4,812	6,100	(1,288)
Probate court	108,518	106,850	107,590	(740)
Prosecuting attorney	344,735	344,735	349,283	(4,548)
General government				
Elections	20,080	20,080	22,122	(2,042)
Board of canvassers	1,750	1,750	1,217	533
Audit	-	26,000	26,000	-
Legal fees	20,000	20,000	26,775	(6,775)
Clerk	204,661	204,661	212,880	(8,219)
Administration	251,395	251,395	214,427	36,968
Equalization	188,815	188,814	202,693	(13,879)
Register of deeds	107,770	107,770	106,598	1,172
Treasurer	212,142	226,786	213,329	13,457
Cooperative extension	132,736	134,075	130,037	4,038
Buildings and grounds	353,002	341,078	334,520	6,558
Drain commissioner	539	539	538	1
Airport commissioner	79,965	79,965	72,500	7,465
Planning commission	950	950	831	119
Public safety:				
Sheriff and jail	1,355,652	1,430,808	1,490,186	(59,378)
ORV	8,456	8,079	10,982	(2,903)
Marine safety	15,706	15,706	5,875	9,831
Snowmobile law	5,348	5,725	5,725	-
Civil defense and emergency services	53,887	53,887	52,256	1,631
Neighborhood family center	5,000	5,000	5,000	-
ATV education	8,806	8,806	14	8,792
Animal shelter	2,500	2,500	2,500	-
Health and welfare:				
Hazardous waste	25,000	25,000	-	25,000
Medical examiner	37,550	37,550	40,000	(2,450)
Veterans burial and relief	13,680	13,680	9,410	4,270
Veterans affairs	53,681	53,681	54,506	(825)
Delta-Menominee Health Department	218,841	218,841	218,399	442
Cigarette tax distributor	15,176	15,176	10,752	4,424
Mental health	99,608	99,608	99,608	-
Rescue squads	12,000	12,000	12,000	-
Convention facility tax	20,000	20,000	21,418	(1,418)
Rainbow house	5,000	5,000	5,000	-
Family Independence Agency	12,500	12,500	9,152	3,348
Recreation and culture				
County fair board	6,000	6,000	6,000	-
County historical society	2,500	2,500	2,500	-
Museum	2,500	2,500	2,500	-
Bailey park fishing museum	1,000	1,000	1,000	-
DAV	1,312	1,312	1,312	-
Capital outlay	76,200	74,508	83,237	(8,729)
Other - appropriations	-	-	38,229	(38,229)
Total expenditures	5,507,844	5,590,198	5,621,760	(31,562)
Excess revenues (expenditures)	280,159	161,277	103,986	(57,291)
OTHER FINANCING SOURCES (USES)				
Transfer in	197,225	197,225	237,651	40,426
Transfer out	(633,471)	(633,471)	(633,471)	-
Total other financing sources (uses)	(436,246)	(436,246)	(395,820)	40,426
Net changes in fund balance:	(156,087)	(274,969)	(291,834)	(16,865)
Fund balances - beginning	4,239,357	4,239,357	4,239,357	4,239,357
Fund balances - ending	\$ 4,083,270	\$ 3,964,388	\$ 3,947,523	\$ 4,222,492

COUNTY OF MENOMINEE, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROAD PATROL
For the Year Ended September 30, 2004

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$ 537,039	\$ 537,039	\$ 539,167	\$ 2,128
Federal sources	47,378	47,378	79,699	32,321
State sources	93,636	93,636	93,998	362
Local sources	-	48,635	48,815	180
Sale of property	10,000	10,000	-	(10,000)
Other	5,000	5,000	10,944	5,944
Total revenues	693,053	741,688	772,623	30,935
EXPENDITURES:				
Public safety	854,127	853,425	832,008	21,417
Capital outlay	-	49,336	51,654	(2,318)
Total expenditures	854,127	902,761	883,662	19,099
Excess revenues (expenditures)	(161,074)	(161,073)	(111,039)	19,099
OTHER FINANCING SOURCES (USES):				
Transfer in	115,875	115,875	115,875	-
Transfer out	-	-	(21,000)	(21,000)
Total other financing sources (uses)	115,875	115,875	94,875	(21,000)
Net changes in fund balances	(45,199)	(45,198)	(16,164)	(1,901)
Fund balances - beginning	1,532	1,532	1,532	1,532
Fund balances - ending	\$ (43,667)	\$ (43,666)	\$ (14,632)	\$ (369)

COMBINING FUND FINANCIAL STATEMENTS

COUNTY OF MENOMINEE, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

	Special Revenue Funds			
	County Parks	Friend of Court	Park Improvement	Remonu- mentation
ASSETS				
Cash and equivalents:				
Unrestricted	\$ (7,664)	\$ 2,584	\$ 14,126	\$ 6,936
Receivables:				
Accounts	-	60	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	3,508	-	-	-
Total assets	<u>\$ (4,156)</u>	<u>\$ 2,644</u>	<u>\$ 14,126</u>	<u>\$ 6,936</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,052	\$ -	\$ -	\$ 4,993
Accrued payroll	1,498	-	-	-
Due to other funds	-	-	-	6,158
Total liabilities	<u>8,550</u>	<u>-</u>	<u>-</u>	<u>11,151</u>
Fund balances:				
Unreserved:				
Undesignated	(12,706)	2,644	14,126	(4,215)
Reserved	-	-	-	-
Total fund balances	<u>(12,706)</u>	<u>2,644</u>	<u>14,126</u>	<u>(4,215)</u>
Total liabilities and fund balances	<u>\$ (4,156)</u>	<u>\$ 2,644</u>	<u>\$ 14,126</u>	<u>\$ 6,936</u>

See accompanying notes to financial statements.

Special Revenue Funds

Building Department	SET Collection	ROD Automation	Drug Law Enforcement	911 Program	Law Library	County Library
\$ (22,034)	\$ 6,796	\$ 651	\$ 6,535	\$ 181,970	\$ (7,034)	\$ 57,944
-	-	-	-	39,630	-	-
-	-	6,158	-	-	-	-
-	-	-	-	24,257	-	-
1,676	-	-	-	6,832	-	6,124
<u>\$ (20,358)</u>	<u>\$ 6,796</u>	<u>\$ 6,809</u>	<u>\$ 6,535</u>	<u>\$ 252,689</u>	<u>\$ (7,034)</u>	<u>\$ 64,068</u>
\$ 676	\$ -	\$ 2,278	\$ -	\$ 4,021	\$ 2,788	\$ 7,661
814	-	222	-	4,368	-	2,573
-	514	-	-	-	-	-
1,490	514	2,500	-	8,389	2,788	10,234
(21,848)	6,282	4,309	6,535	244,300	(9,822)	53,834
-	-	-	-	-	-	-
(21,848)	6,282	4,309	6,535	244,300	(9,822)	53,834
<u>\$ (20,358)</u>	<u>\$ 6,796</u>	<u>\$ 6,809</u>	<u>\$ 6,535</u>	<u>\$ 252,689</u>	<u>\$ (7,034)</u>	<u>\$ 64,068</u>

COUNTY OF MENOMINEE, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

	Special Revenue Funds			
	CDBG Wells Fargo	CDBG Housing	Local Emergency Planning	Homeland Security Grant
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 49,103	\$ 11,232	\$ (22,112)	\$ 17,334
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	22,774	-
Due from State of Michigan	-	-	-	2,450
Prepaid expense	-	-	-	-
Total assets	<u>\$ 49,103</u>	<u>\$ 11,232</u>	<u>\$ 662</u>	<u>\$ 19,784</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 2,347	\$ -	\$ 850
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	22,774
Total liabilities	<u>-</u>	<u>2,347</u>	<u>-</u>	<u>23,624</u>
Fund balances:				
Unreserved:				
Undesignated	49,103	8,885	662	(3,840)
Reserved	-	-	-	-
Total fund balances	<u>49,103</u>	<u>8,885</u>	<u>662</u>	<u>(3,840)</u>
Total liabilities and fund balances	<u>\$ 49,103</u>	<u>\$ 11,232</u>	<u>\$ 662</u>	<u>\$ 19,784</u>

See accompanying notes to financial statements.

Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
Canteen	Senior Citizens	Child Care	Veterans Trust	State-Special Child Care	Library Bequest	
\$ 23,348	\$ 4,525	\$ (28,131)	\$ 365	\$ (34,192)	\$ 2,122	\$ 264,404
501	-	-	-	-	-	40,191
-	-	-	-	3,294	-	32,226
-	-	-	-	3,623	-	30,330
-	-	-	-	1,721	-	19,861
<u>\$ 23,849</u>	<u>\$ 4,525</u>	<u>\$ (28,131)</u>	<u>\$ 365</u>	<u>\$ (25,554)</u>	<u>\$ 2,122</u>	<u>\$ 387,012</u>
\$ -	\$ -	\$ 21,262	\$ -	\$ 2,666	\$ -	\$ 56,594
-	-	-	-	1,821	-	11,296
-	-	-	-	-	-	29,446
-	-	21,262	-	4,487	-	97,336
23,849	4,525	(49,393)	365	(30,041)	-	287,554
-	-	-	-	-	2,122	2,122
23,849	4,525	(49,393)	365	(30,041)	2,122	289,676
<u>\$ 23,849</u>	<u>\$ 4,525</u>	<u>\$ (28,131)</u>	<u>\$ 365</u>	<u>\$ (25,554)</u>	<u>\$ 2,122</u>	<u>\$ 387,012</u>

COUNTY OF MENOMINEE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Special Revenue Funds			
	County Parks	Friend of Court	Park Improvement	Remonu- mentation
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
State sources	-	-	-	59,004
Local sources	-	-	-	-
Charges for services	132,329	-	4,052	-
Fines, forfeitures and penalties	-	-	-	-
Interest and rentals	-	-	-	-
Other	5,818	1,230	-	-
Total revenues	138,147	1,230	4,052	59,004
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	78,149
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	226,437	-	-	-
Capital outlay	4,472	-	15,035	-
Total expenditures	230,909	-	15,035	78,149
Excess revenues (expenditures)	(92,762)	1,230	(10,983)	(19,145)
OTHER FINANCING SOURCES (USES):				
Transfer in	95,408	-	10,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	95,408	-	10,000	-
Net changes in fund balance	2,646	1,230	(983)	(19,145)
Fund balances - beginning	(15,352)	1,414	15,109	14,930
Fund balances - ending	\$ (12,706)	\$ 2,644	\$ 14,126	\$ (4,215)

See accompanying notes to financial statements.

Special Revenue Funds

Building Department	SET Collection	ROD Automation	Drug Law Enforcement	911 Program	Law Library	County Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	2,685	-	2,000	95,122	-	15,614
-	-	-	-	-	-	-
73,841	1,290	38,668	-	388,536	-	-
-	-	-	1,536	-	3,500	109,054
-	-	-	-	-	-	-
-	-	-	-	20	-	18,392
<u>73,841</u>	<u>3,975</u>	<u>38,668</u>	<u>3,536</u>	<u>483,678</u>	<u>3,500</u>	<u>143,060</u>
-	-	-	-	-	16,099	-
91,355	1,825	12,780	-	-	-	-
-	-	-	265	461,573	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	352,799
-	-	26,286	-	-	-	3,000
<u>91,355</u>	<u>1,825</u>	<u>39,066</u>	<u>265</u>	<u>461,573</u>	<u>16,099</u>	<u>355,799</u>
<u>(17,514)</u>	<u>2,150</u>	<u>(398)</u>	<u>3,271</u>	<u>22,105</u>	<u>(12,599)</u>	<u>(212,739)</u>
10,926	-	-	-	-	4,000	240,798
-	-	-	-	-	-	-
<u>10,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>240,798</u>
(6,588)	2,150	(398)	3,271	22,105	(8,599)	28,059
<u>(15,260)</u>	<u>4,132</u>	<u>4,707</u>	<u>3,264</u>	<u>222,195</u>	<u>(1,223)</u>	<u>25,775</u>
<u>\$ (21,848)</u>	<u>\$ 6,282</u>	<u>\$ 4,309</u>	<u>\$ 6,535</u>	<u>\$ 244,300</u>	<u>\$ (9,822)</u>	<u>\$ 53,834</u>

COUNTY OF MENOMINEE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Special Revenue Funds			
	CDBG Wells Fargo	CDBG Housing	Local Emergency Planning	Homeland Security Grant
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	650	79,318
State sources	-	30,000	-	-
Local sources	-	14,363	-	-
Charges for services	-	-	-	-
Fines, forfeitures and penalties	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Total revenues	-	44,363	650	79,318
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	1,330	6,291
Health and welfare	-	47,554	-	-
Recreation and culture	897	-	-	-
Capital outlay	-	-	-	76,867
Total expenditures	897	47,554	1,330	83,158
Excess revenues (expenditures)	(897)	(3,191)	(680)	(3,840)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(897)	(3,191)	(680)	(3,840)
Fund balances - beginning	50,000	12,076	1,342	-
Fund balances - ending	\$ 49,103	\$ 8,885	\$ 662	\$ (3,840)

See accompanying notes to financial statements.

Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
Canteen	Senior Citizens	Child Care	Veterans Trust	State-Special Child Care	Library Bequest	
\$ -	\$ 278,508	\$ -	\$ -	\$ -	\$ -	\$ 278,508
-	-	-	-	75,231	-	155,199
-	-	14,148	-	58,753	-	277,326
10,883	-	2,528	-	385	-	28,159
-	-	17,091	-	-	-	655,807
-	-	-	-	-	-	114,090
531	-	-	-	-	36	567
-	-	68	-	-	-	25,528
11,414	278,508	33,835	-	134,369	36	1,535,184
-	-	-	-	-	-	16,099
-	-	-	-	-	-	184,109
2,595	-	-	-	-	-	472,054
-	274,683	190,582	243	211,444	-	724,506
-	-	-	-	-	-	580,133
-	-	-	-	-	-	125,660
2,595	274,683	190,582	243	211,444	-	2,102,561
8,819	3,825	(156,747)	(243)	(77,075)	36	(567,377)
-	-	95,000	-	61,464	-	517,596
-	-	-	-	-	-	-
-	-	95,000	-	61,464	-	517,596
8,819	3,825	(61,747)	(243)	(15,611)	36	(49,781)
15,030	700	12,354	608	(14,430)	2,086	339,457
\$ 23,849	\$ 4,525	\$ (49,393)	\$ 365	\$ (30,041)	\$ 2,122	\$ 289,676

COUNTY OF MENOMINEE, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2004

	General Trust and Agency	County Section 125 Plan	Payroll Trust	Library Penal Fines
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 1,311,020	\$ 13,356	\$ 99,422	\$ 35,179
Due from other governmental units	61,765	-	-	2
	<u>1,372,785</u>	<u>13,356</u>	<u>99,422</u>	<u>35,181</u>
Total assets				
	<u>1,372,785</u>	<u>13,356</u>	<u>99,422</u>	<u>35,181</u>
LIABILITIES				
Due to other funds	-	5,000	-	-
Due to other units governmental units	1,223,617	-	6,737	-
Other liabilities	149,168	8,356	92,685	35,181
	<u>1,372,785</u>	<u>13,356</u>	<u>99,422</u>	<u>35,181</u>
Total liabilities				
	<u>1,372,785</u>	<u>13,356</u>	<u>99,422</u>	<u>35,181</u>

See accompanying notes to financial statements.

District Court Bonds Payable	Friend of Court Trust	Sheriff Inmate Trust	Totals
\$ 16,264	\$ 10,599	\$ 28,328	\$ 1,514,168
-	-	-	61,767
16,264	10,599	28,328	1,575,935
-	1,000	2,000	8,000
-	-	-	1,230,354
16,264	9,599	26,328	337,581
\$ 16,264	\$ 10,599	\$ 28,328	\$ 1,575,935

COUNTY OF MENOMINEE, MICHIGAN

REPORT TO MANAGEMENT

Year Ended September 30, 2004



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Menominee, Michigan

We have audited the financial statements of the County of Menominee, Michigan for the year ended September 30, 2004, and have issued our reports thereon dated January 26, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the County of Menominee. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Menominee, Michigan are described in Note A of the financial statements.

During the current year the County prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the County. We noted no transactions entered into by the County of Menominee, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Menominee, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Menominee's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the County of Menominee, Michigan, for the year ended September 30, 2004, we considered the County of Menominee, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated January 26, 2005, on the financial statements of the County of Menominee, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Menominee County Board of Commissioners, management and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 26, 2005

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Budget Violations

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2004, there various funds where expenditures exceeded appropriations. It was also noted that several funds had a deficit fund balance.

Recommendation:

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations and that a deficit elimination plan be developed for funds in a deficit fund balance position.

Management Response:

Accounts were monitored on a monthly basis, however account entry was discovered late in the year to be several months delinquent. This has been rectified, and the monthly reports distributed are now up to date.

Improper Account Classification

Comment:

We noted several instances in which amounts were receipted into incorrect line items or funds.

Recommendation:

Caution should be taken in the account coding and posting process to make certain each receipt is properly classified into the appropriate line item in order to maintain comparability from year to year and budgetary control.

Management Response:

The Treasurer's Office is now having the receipts checked by two different individuals.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Friend of Court Trust Account

Comment:

The Friend of Court Trust bank account which was used on the old system has not been reconciled since July 2003 and maintained a balance of \$9,599 as of September 30, 2004.

Recommendation:

In order to ensure adequate control over cash, this account should be reconciled and all amounts that can be, should be escheated to the State of Michigan.

Management Response:

We have been unable to reconcile this account since the conversion to MICSES on August 1, 2003. There is a possibility that some of the money will not be able to be identified and will have to be escheated to the State of Michigan. There is a possibility that some of the money will be able to be identified as money to one of our active accounts (where they did not cash a check and then we would be able to issue the money to the proper account.) Until we receive an accurate outstanding check register from the state we will not be able to properly reconcile the account. We have an open call in asking for the register, but this is not a top priority at the state level. The Friend of the Court has followed up on this, but still unable to get results.

Payroll Overpayment

Comment:

During our payroll testing we noted one individual was overpaid by 8 hours.

Recommendation:

Prior to final processing of payroll, all hours should be verified.

Management Response:

An error was made in compiling the officers daily pay sheets to the weekly pay period report. This procedure is now being checked by a second individual to insure accuracy.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Grant Reimbursement

Comment:

During our follow up of a prior year grant award for fingerprinting equipment, it was noted that the County had not requested reimbursement from the State of Michigan of approximately \$25,422. We also contacted the State of Michigan, and they stated they sent the County a letter dated August 15, 2003 to request the expenditure reports for the fingerprinting equipment and they did not receive a response so they reallocated the County's award. The individual from the State requested that the County send in the appropriate expenditure reports with an explanation as to why the expenditure reports were filed so late and they will take it in front of the legislature to see if the request can be funded from current year funds.

Recommendation:

We recommend that all grants be administered in a central location or by one individual to ensure that the County is reimbursed for allowable expenditures and that the County is complying with the requirements of the various grants. Also, the County should submit the required expenditure reports to the State of Michigan and attempt to get reimbursed for the fingerprinting equipment.

Management Response:

The financial status report was mailed on 1-24-05. Evidently the point of presence line (P.O.P.) used for LEIN and Live scan was originally supposed to be hooked up for the system in October 2002, but the line was not hooked up until December 2004. This line is used for the transmission of data to Lansing. Due to the delay of the completion of the project which was not controllable by the county or the department,, the grant could not be submitted until completed and submitted in full.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Journal Entries Without Approval

Comment:

We noted journal entries made to the general ledger did not have the approval of a second responsible individual.

Recommendation:

All journal entries should be approved by a second individual who is independent of the journal entry and who has the knowledge and authority to authorize the journal entry.

Management Response:

In the past only one person was responsible for all journal entries. As the General Ledger has moved to the Clerks Office, all journal entries from the treasurer's office will have 2 initials for knowledge before being sent to the Clerk's Office.

Sheriff Department Comp Time

Comment:

We noted the Sheriffs department is tracking and maintaining records relative to comp time earned and used.

Recommendation:

We recommend that this activity be tracked and maintained by the payroll department as the payroll system has the capability to track this information.

Management Response:

Comp time earned and used will be submitted to payroll department on a bi-weekly basis with other payroll. The department will keep a record as well.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Inmate Trust Bank Account

Comment:

We noted over 80 checks in the inmate trust account which were over one year old.

Recommendation:

We recommend these outstanding checks be escheated to the State of Michigan. The Sheriffs department may also consider establishing a petty cash drawer at the jail and pay inmates with balances of \$5 or less in cash to avoid issuing checks for small amounts that typically do not get cashed.

Management Response:

Inmates will be instructed to contact the Dept. during administrative hours to receive a cash balance less than \$5.00. This will be taken from petty cash. If an inmate does not return within 6 months of release to pick up the cash balance, a check will then be issued to them with instruction to cash within a designated amount of time. Any outstanding checks will be escheated to the State of Michigan.

Accounts Receivable Reconciliation

Comment:

During our testing of the Delinquent Tax Revolving Fund we noted that the accounts receivable balance for charge backs was not reconciled.

Recommendation:

To improve internal controls over accounts receivable, an individual should reconcile these types of accounts on a monthly basis to ensure that the activity is being recorded properly.

Management Response:

The accounts receivable and payable that the Treasurer's Office is responsible for, will be balanced on a monthly basis.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Inmate Trust Bank Account

Comment:

We noted that the Sheriffs department is depositing items such as booking fees, medical fees and work release fees into this account. At September 30, 2004 there was \$26,578 in cash in this account that was County money, not inmate money.

Recommendation:

State law requires that all County funds be on deposit with the County Treasurer, therefore we recommend that all fees collected at the Sheriffs department be transmitted to the County Treasurers office on a daily basis and that only inmate funds be maintained in that bank account.

Management Response:

The sheriff department does not deposit any money into this account. All money is turned into the treasurer who deposits money into this account. The treasurer's office must make the corrections and only deposit inmate funds into this account. The treasurer is given the proper line item account numbers when money is turned over.

Prisoner Board

Comment:

During our discussion with Sheriffs department personnel regarding the tracking and collection of prisoner board outstanding balances, we noted that there was no written policies or procedures for collection of these amounts.

Recommendation:

The County should develop written policies and procedures regarding the collection of these outstanding prisoner board balances to strengthen the internal controls over the collection of these amounts.

Management Response:

We turn uncollected prisoner board outstanding balances over to a collection agency. We presently have a college intern assisting with this process. This process is very time consuming.

COUNTY OF MENOMINEE, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Spoiled Checks

Comment:

We noted several instances where the County Clerks office distributed checks to the Sheriffs department for restitution and these checks were never deposited with the County Treasurer and subsequently had to be reissued because they had spoiled.

Recommendation:

When the Sheriffs department is paid restitution as part of a court order, we recommend that the Clerks office record the transaction with a journal entry rather than issuing a check which eventually will get deposited back into the same bank account. We also recommend that the Sheriffs department review their cash handling procedures to ensure that they are properly accounting for the money they receive.

Management Response:

The appropriate account number for restitution will be in the pre-sentence report for the sentencing judge. When the judge orders restitution, the clerk's staff will write a voucher for the named amount and account number and forward it to the accounts payable staff. The accounts payable staff will then make the appropriate journal entry with a copy to the sheriff's department.

Overpayment of CFR Distribution

Comment:

We noted an overpayment of CFR monies to North Central Schools of just over \$50,000 which remained outstanding as of the date of the auditors report.

Recommendation:

We recommend the County work with the School to ensure that these funds are repaid. We also recommend that this receivable be recorded in the General Fund rather than in the General Trust and Agency fund where it is currently recorded.

Management Response:

As Treasurer, I have spoken to the school, and have worked out a payment schedule to be implemented after the 2004 tax settlement.